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ABSTRACT

This lesson plan was developed through "Economics International," an international program to help build economic education in the emerging market economies. It provides a lesson description; appropriate age level; economic concepts; content standards and benchmarks; related subject areas; instruction objectives; time required for completion; materials needed; a detailed step-by-step procedure for classroom implementation; closure questions; assessment questions; and extension questions. The lesson contains three activities and a visual. Students produce badges as rewards for the best economists in class and will learn how command and market economies answer basic economic questions. (BT)

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National Council on Economic Education

Economics International

Active Learning Lessons

What, How and for Whom to Produce?

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ACTIVE LEARNING LESSONS: WHAT, HOW AND FOR WHOM TO PRODUCE?

Author: Krystyna Brzaklik of Poland

Lesson Description:Students produce badges as rewards for the best economists in class. Through this production activity, they learn how command and market economies answer the basic economic questions: What to produce? How to produce? For whom to produce?

Age Level:10-12 year old

Economic Concepts:

- Productive resources
- Command economy
- Market economy
- Basic economic questions

Content Standard 3: Students will understand that different methods can be used to allocate goods and services. People, acting individually or collectively through government, must choose which methods to use to allocate different kinds of goods and services.

Grade 8, Benchmark 2: There are essential differences between a market economy, in which allocations result from individuals making decisions as buyers and sellers, and a command economy, in which resources are allocated according to a central authority.

Grade 8, Benchmark 3: People in all economies must answer three basic questions: What goods and services will be produced? How will these goods and services be produced? Who will consume them?

Related Subject Areas: History, Civics

Instruction Objectives: (Students will:)

1. Define an economic system as a way people organize the production, distribution, and consumption of goods and services.

2. State and explain the three basic economic questions every economic system must answer: What to produce? How to produce? For whom to produce?

3. Describe the basic characteristics of market and command economies.

Time Required:one class period

Materials:

- a copy of Activities 1, 2, and 3 for each group
- 2 sheets of white paper, 1 sheet of colored paper, pencil, magazine with colorful pictures, glue, 2 napkins, 2 paper plates, 5 safety pins, scissors, 10 straight pins, and a blue, black, and red marker for each group
- transparency of Visual 1

Procedure:

1. Tell students they will produce "good-economist badges" to be distributed to students who meet certain criteria.

2. Divide the class into groups of 6 - 7 students. Explain that each group represents a country and its economy. Ask each group to name its country and to choose a spokesperson for the country.

3. Distribute a copy of Activity 1 and the resources required for producing good-economist badges: 2 paper plates, 1 sheet of white paper, 1 sheet of colored paper, 10 pins, a magazine with colorful pictures, and a black marker to each group.

4. Instruct students to read the instructions. Explain that the first production round will last 5 minutes. Begin the round.

5. At the end of 5 minutes, ask the spokesperson for each group to display the group's products. Collect all of the badges.

6. Ask those students who think they are good economists and should, therefore, receive a badge to raise their hands.

7. Explain that you have already decided how the badges will be distributed. You will keep half of the badges because you are the best economist in the classroom, and you will distribute the rest of the badges to students in the class.

8. Begin distributing badges to students based on any criterion you choose. For example, give them to students with blue eyes, students sitting in the first row, students with dark hair, and so on.

9. Discuss the following:

a. Are you satisfied with the results of this activity? (*No.*) If not, why? (*The teacher made all of the decisions about what would be produced – badges, how the badges would be produced, and who would receive the badges. The teacher kept too many badges. Even though students produced the badges, some students didn't receive a badge.*)

b. Were you able to design the badges? (*No.*) Why? (*The teacher decided what the badges should look like, and we had to follow that design.*)

c. Who decided what resources would be used to produce badges? (*The teacher provided the resources and decided how they would be used.*)

d. What problems occurred in the production process? (*Groups lacked some resources, such as scissors; they had excessive amounts of other resources; some resources, such as paper plates, weren't useful in producing badges; there was limited output because each group was instructed to only produced six badges.*)

e. What economic incentives influenced the production teams? (*There were no incentives.*)

f. Did the lack of economic incentives affect the quality of the final product? (*Some badges were poorly made.*)

g. What decisions were the members of each group able to make about production and distribution of badges? (*how to divide the labor*)

11. Define an **economic system** as the way people decide to organize production, distribution, and consumption. The decisions people must make about production, consumption, and distribution are: What to produce? How to produce? For whom to produce? Explain that there are different types of economic systems. Each type of economic system answers these three questions differently.

12. Display Visual 1. Ask students how these three questions were answered in the badge activity. As the students respond, record the information on Visual 1. (*In each case, the answer is that the teacher made the decision.*)

13. Explain that when a central authority makes the decisions about what, how, and for whom to produce, the economic system is called a **planned** or **command system**. In this production round, the teacher was a central authority making decisions about what, how, and for whom to produce so

the class had a command economy. Write the word "command" in column two next to "Type of Economic System."

14. Explain that in the next round, members of the groups will be able to make decisions about the production and distribution of badges.

15. Ask students what types of decisions they must make. *(What to produce – what the badges look like; How to produce – what resources to use, how many to produce; and For whom to produce – who will receive the badges after they have been produced.)*

16. Remind the students that the three basic questions every economic system must answer are: What to produce? How to produce? For whom to produce?

17. Distribute a copy of Activity 2 to each group. Ask students in each group to discuss what they want the group's badges to look like. Explain that the group members should consider the available resources and decide which six resources they will use to produce badges.

18. Explain that groups will have 10 minutes to decide the following questions and complete Activity 2.

    a. What to produce? (What will the badges look like?)

    b. How to produce? (Which resources to purchase? How to use the labor resources?)

    c. For whom to produce?

19. Distribute the resources that each group has chosen, and allow 10 minutes for students to work.

20. At the end of 10 minutes, display Visual 1 and ask the class who made the three decisions on the chart. Record their answers on Visual 1. (*In this case, the students should respond that the group or the students made the decisions.*)

21. Discuss the following.

    a. Why are the products produced in round 2 different from those produced in round 1? (*In round 2, the producers had input about how the badges would look. The producers wanted to produce something that looked nice and that other people would want to wear so that consumers would buy their badges.*)

b. Who decided which resources each group used to produce badges? (*group members – producers*)

c. How many badges were produced in each group? (*More than in the first round.*)

d. Why were more produced? (*because no quota or limit was established.*)

e. Who will receive the badges produced by your group? (*Those who want the badges to wear and are willing to buy the badges.*)

f. What economic incentives influenced the production teams? (*hope of selling the badges to consumers, being able to make choices*)

g. How did the presence of incentives influence production quality of the final product? (*The badges were high quality, unique, and attractive.*)

22. Remind students that in a command economy distribution decisions are made by the central authority. In the class example, the teacher decided who received the badges. Explain that in a market economy, people (producers and consumers) make allocation decisions.

23. Explain that when the producers and consumers make decisions about what, how, and for whom to produce, the society has a **market economy**. In this round of production, the class had a market economy. Write the word "market" in column 2 next to "Type of Economic System."

24. Ask the students how the three basic economic questions were answered in this activity. *(producers and consumers*) As the students respond, record the information on Visual 1.

Closure:

Display Visual 1 and ask the following questions:

a. What is an economic system? (*The way in which production, consumption, and distribution of goods and services are organized.*)

b. What are the principal questions that every economic system must answer? (*What, how, and for whom to produce?*)

c. Who makes decisions concerning the types of goods and services produced, the way in which goods and services are produced, and who

receives the goods and services produced in a command economy? (*central planning authority*)

d. Who makes decisions concerning the types of goods and services produced, the way in which goods and services are produced, and who receives the goods and services produced in a market economy? (*producers and consumers*)

Assessment:

Distribute a copy of Activity 3 to each person. Ask students to read the instructions and decide if the statements are true or false.

The correct answers for the assessment are: 1) true 2) true 3) false 4) true 5) false 6) false 7) false 8) true 9) true

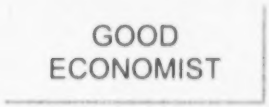
Extension:

1. In history, students may conduct research to determine how other cultures (Chinese, Egyptian, Ancient Greece) answered the basic economic questions.

2. In civics, students may find newspaper articles with information about elements of command and market systems within their countries' economies. They can underline sentences that exemplify answers to the three basic questions.

Activity 1

Your country produces badges with the inscription "Good Economist." These badges are made of white paper. Each badge is 5 cm. by 5 cm. The inscription is written with a black marker. All of the badges are identical because all of the citizens in your country are considered equal. These badges are pinned to citizens clothing. The badges must look like the sample below.



The teacher, who is a representative of the central planning committee, has assigned you to a production group and has decided that your group should produce six badges. Your group will receive the following productive resources. These resources are owned by the government. They do not belong to you, and they may only be used to produce badges.

_2 paper plates

_a black marker

_1 sheet of white paper

_1 sheet of colored paper

_10 pins

_a magazine with colorful pictures

Activity 2

Consumers in your country like to buy badges for those who are the best economists. They buy the badges for which they are able to pay, and that they think are well made and attractive from firms that produce badges. Your firm is one of several that produce badges. Your were hired by this firm to produce badges because of your education and experience. The firm pays you a salary for your work. You must make production decisions for your firm. Resources that it can use to produce badges are listed below. However, the firm can't afford to purchase all of the resources, you can only purchase six. Decide which six you want.

- 1 sheet of colored paper
- 1 sheet of white paper
- a blue marker
- a red marker
- a black marker
- glue
- a pencil
- 10 pins
- 5 safety pins
- 2 paper plates
- scissors
- a magazine with colorful pictures
- two napkins

Decide what your badges will look like, how many badges you will produce, and what resources you will use. Also, how these badges will be distributed to consumers.

Please write your decisions below.

1. What badges will you produce? (Describe them.)

2. How will you produce these badges? (What resources will be used and how will you divide the labor?)

3. For whom are you producing? (How will these badges be distributed or allocated to consumers?)

Activity 3 **Assessment**

Read the following statements. Indicate whether each statement is true (T) or false (F).

1. _____An economic system is the way in which people decide to organize the production, distribution, and consumption of goods and services.

2. _____What, how, and for whom to produce are the basic economic questions that every society must answer.

3. _____All societies answer the three basic questions in the same way.

4. _____In a command economy, a central authority makes the decisions regarding what, how, and for whom to produce.

5. _____The three basic economic questions are: What to produce? How to divide labor in production? And Who owns the productive resources?

6. _____In a market economy, only the government decides what goods and services are produced.

7. _____In a command economy, consumer purchasing decisions determine what will be produced.

8. _____In a command economy, the government decides how the goods and services that are produced will be distributed.

9. _____In a market economy, decisions regarding production and consumption result from the interaction of consumers and producers.

Visual 1

	ROUND 1	ROUND 2
TYPE OF ECONOMIC SYSTEM		
WHAT TO PRODUCE?		
HOW TO PRODUCE?		
FOR WHOM TO PRODUCE?		

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